

# CITY OF LONG BEACH DOWNTOWN MARINAS

**Phase V Funding: \$8,125,000**  
**\$31,718,000 Loan**

## SUMMARY

The City of Long Beach (City) has applied to DBW for a loan of \$31,718,000 to improve the Long Beach Shoreline Marina (previously known as the Downtown Marina) and the Rainbow Marina (previously known as the Shoreline Village Marina), hereafter called the Downtown Marinas. This report concerns the fifth and final phase funding of \$8,125,000. The Boating and Waterways Commission approved this \$31,718,000 loan at its March 15, 2004 Commission meeting.

The Shoreline Marina, originally constructed in the mid-1980s, is a 1,697-slip marina with slips varying in size from 25' to 60'. The Rainbow Marina, originally constructed in the mid-1970s, is an 86-slip marina with slips varying in size from 30' to 40'.

The Boating and Waterways Commission has previously consented to loans (totaling \$37,881,000) to the City for improvements to its marinas.

The Downtown Marinas project includes: 1) replacement of docks and fingers, 2) replacement of utilities, 3) replacement of piles, 4) widening/replacement of gangways and docks for barrier-free access, and 5) ancillary items.

As shown in this feasibility report, there is adequate capital to finance the project, estimated revenues exceed estimated expenses, and the City will provide adequate collateral for the proposed loan. Therefore, the Downtown Marinas refurbishment project, as proposed, is considered financially feasible.

*DBW loans are funded exclusively through the Harbors and Watercraft Revolving Fund. These funds are derived from the gasoline taxes paid by boaters in California and the repayment of loan principal and interest. No State General Fund dollars are used.*



# PROJECT

## INTRODUCTION

In FY 1999/2000, the Boating and Waterways Commission approved the first of five loan phases to the City of Long Beach to improve the Downtown Marinas. The phase II loan was approved in FY 2000/2001; the phase III loan in FY 2001/2002; and the phase IV loan in FY 2004/05. This report concerns fifth and final phase funding of \$8,125,000. The total loan amount is \$31,718,000.

Construction on the Downtown Marinas project began in January 2005. To date, nineteen percent, or six out of thirty-two docks have been completed (a total of 346 slips). Each dock is taking approximately 3 weeks to complete, and the project is on schedule for completion in early 2007.

## LOAN APPLICANT

The loan applicant is the City of Long Beach (City). The City was incorporated in 1888 and covers an area of 50 square miles with a population of 437,816 (the fifth largest in California).

## PROJECT IDENTIFICATION

This project has been established for the purpose of refurbishment of the Downtown Marinas. The City has requested a loan of \$31,718,000 to finance the project. This report concerns final phase funding totaling \$8,125,000.

The Shoreline Marina, originally constructed in the mid-1980s, is a 1,697-slip marina with slips varying in size from 25' to 60'. The Rainbow Marina, originally constructed in the mid-1970s, is an 86-slip marina with slips varying in size from 30' to 40'.

## PROJECT LOCATION

The City is a coastal city located on 50 square miles of land in Southern California. The City is surrounded by Los Angeles and Orange Counties, and serves as coastal access for boaters from San Bernardino, Riverside, and Ventura Counties as well. About 440,000 people live within the City boundaries, and 16,000,000 within the five county area.

## ACCESS TO PROJECT

The Downtown Marina and the Shoreline Village Marinas are located in the northwest portion of the City, on Shoreline Drive. Access is via the I-710 freeway to Shoreline Drive.

## AREA DESCRIPTION

The City for many years has actively pursued development of its shoreline through the construction of fishing piers, public beaches, and marinas for small craft. The City hosts 4.3 million visitors per year and has the busiest port on the West Coast (handling the most cargo tonnage).

Early development of Alamitos Bay for recreational boating began with the construction of Marine Stadium in 1926. Extensive dredging of Alamitos Bay was conducted in 1945-46. The San Gabriel River was diverted from the bay, and a new entrance channel was developed with jetties projecting on either side of the entrance.

Marina development in Alamitos Bay began in 1953 when the electorate of Long Beach authorized the use of \$10,000,000 of tideland oil funds for the construction of a small craft harbor. Construction of Basin 1 commenced in 1954. The existing jetties were raised and excavated seaward and the entrance channel to Alamitos Bay was dredged. The project was completed in 1956. Two years later, a contract was awarded for the construction of Basins 2, 3, and 4, all of which were completed in 1960. Basin 5 (Los Cerritos Channel) and Basin 6 were constructed in 1963 and 1975, respectively.

In 1975, the City Council approved the Shoreline Aquatic Park project which consisted of permanent and transient berthing facilities, a parking area, a harbor control station and attendant docking facilities, a holding tank pumpout, and restroom. The project, funded by the Department of Boating and Waterways, was an integral part of the downtown redevelopment in Long Beach.

In 1978, the Downtown Marina Project in Queensway Bay was approved. The project consisted of the construction of a major regional marina. The project provided high level utilization of existing urban and shoreline facilities and development opportunities for both public and private economic interests.

The City's Alamitos Bay and Downtown Marinas, which are publicly owned, provide berthing for more than 3,800 recreational and commercial vessels ranging in size from 20 to 140 feet in length. The City also has a number of free transitory docking spaces, as well as end-ties for rent to visiting vessels. Additional facilities owned and operated by the City include five recreational vessel launching ramps and land-based, dry boat storage facilities built to accommodate 160 vessels and trailers up to 25 feet in length. In addition, permits are issued to allow shore mooring on portions of the City's 275 acres of beach.



## PREVIOUS COMMISSION ACTION

The Boating and Waterways Commission has previously consented to the following loans to the City of Long Beach:

- ◆ In FY 1974/75, the Commission approved a \$1,238,000 loan for the addition of 88 boat slips, parking, and landscaping in the Los Cerritos Channel portion of Alamitos Bay.
- ◆ In FY 1976/77, the Commission approved a \$1,300,000 loan for the addition of 117 berths, a sewage pumpout station, a restroom and a harbor control station at the Shoreline Village Marina.
- ◆ In FY 1980/81, the Commission approved a \$8,000,000 loan in three phases for the design and construction of the Downtown Marina, including 1,694 berths, breakwaters, parking, restrooms, a Harbor Master building, landscaping, and utilities.
- ◆ In FY 1991/92, the Commission approved a \$1,400,000 loan to restore portions of existing bulkhead walls at Alamitos Bay and Queensway Bay.
- ◆ In FY 1994/95, the Commission approved a \$1,650,000 loan in three phases for Basin 8 in Alamitos Bay for 33 berths, a sewage pumpout station, a restroom, a parking area, utilities, and landscaping.
- ◆ In FY 1998/99, the Commission approved a \$700,000 loan for a combination Harbor Master/restroom building for the Shoreline Aquatic Park.
- ◆ In FY 1999/00, the Commission approved a \$4,000,000 phase I loan (of a total \$9,816,000 loan) for: the addition of individual dock fingers; new decking; replacement of utility stanchions, dock boxes, electrical and water fittings; installation of dock bumpers; refurbishing of restrooms; reinforcement of armor rock on the mole road; addition of parking security; and upgrading of electrical service for the Downtown Marina.
- ◆ In FY 2000/01, the Commission approved a \$5,816,000 phase II loan. The phase II portion of this project was planned to complete the refurbishment of the Downtown Marina. However, due to changes in the configuration of the marina slips, and the addition of refurbishments to the Shoreline Village Marina, the City of Long Beach applied for a revised proposed project, and an increase in the loan amount (\$6,902,000), for a total project cost of \$16,718,000.

- ◆ In FY 2001/02, the Commission approved a \$6,902,000 phase III loan for this project.
- ◆ In FY 2004/05, the Commission approved a \$6,875,000 phase IV loan for this project, with the total project cost increased to \$31,718,000.

# ENGINEERING CONSIDERATIONS

## INTRODUCTION

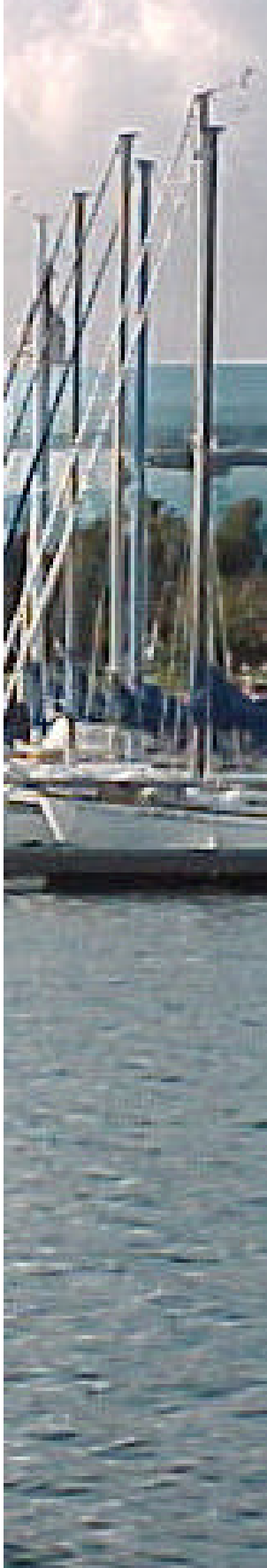
Before a project is submitted to the Governor for inclusion in the budget, Department of Boating and Waterways (DBW) staff reviews both the site and the application to verify that the proposed project will meet DBW standards when completed. Planning personnel visit the site and discuss project layout and components with the applicant. After an application is received, DBW engineers review the project proposal. DBW's engineering review includes an analysis of site use, review of project components, and verification of estimated costs. Only after it is determined that the proposed project meets DBW standards and the preliminary cost estimate is verified is the project included in the budget.

Once the proposed project is approved by the DBW Commission, plans and specifications will be finalized and a final cost estimate will be determined for the project. If the final cost estimate exceeds the preliminary cost estimate the borrower has a number of options. It may either find additional funds elsewhere, alter or scale down the project, apply for additional funding, or discontinue the project. Any scope change or increase in cost to DBW requires additional Commission consideration. If the borrower discontinues the project any DBW funds expended by the borrower must be returned to DBW.

## PROPOSED PROJECT

The Downtown Marinas project considered in this report entails:

- 1) replacement of docks and fingers, including demolition of existing treated wood docks and fingers,
- 2) replacement of utilities,
- 3) replacement of piles,
- 4) widening/replacement of gangways and docks for barrier-free access,
- and 5) ancillary items.



## COST ESTIMATE

<u>PROJECT ITEM</u>	<u>DBW Funding</u>
Docks and Fingers	\$ 16,400,000
Utilities	9,700,000
Piles	1,300,000
Barrier Free Access Retrofit	1,000,000
Ancillary Items	<u>1,000,000</u>
<b>SUBTOTAL</b>	<b>\$ 29,400,000</b>
Engineering/Inspection/Fees	1,670,000
Contingency	<u>648,000</u>
<b>TOTAL</b>	<b>\$ 31,718,000</b>

## CONCLUSION

There are no particularly difficult or unusual problems associated with this project. It is therefore considered feasible, from an engineering standpoint, at an estimated construction cost of \$31,718,000.

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## ECONOMIC ANALYSIS

### INTRODUCTION

In addition to an engineering review, each loan project must meet DBW's economic feasibility requirements before it is submitted to the Boating and Waterways Commission for consideration. Economic feasibility is determined by three main factors: (1) the borrower demonstrates that adequate capital is available to finance the project to completion; (2) the borrower demonstrates that Project Area revenues will be sufficient to operate and maintain the Project Area, including the repayment of any debt; and (3) the borrower proposes adequate collateral for the loan.

### CAPITAL

Total cost of the Downtown Marinas refurbishment project is expected to be \$31,718,000. The DBW loan will cover those project costs up to \$31,718,000. There is, therefore, sufficient capital to construct the facilities to completion.

### REVENUES AND EXPENSES

A project's financial feasibility also depends on whether there will be sufficient revenue to pay for project expenses on an annual basis, including the repayment of the proposed DBW loan. The estimated revenues, expenses, and debt service indicate that project revenues are sufficient to cover expenses after the first year of repayment (see Table 1). Marina Fund revenues (including revenues from the other Long Beach marinas) are sufficient to cover expenses in 2007.



**DOWNTOWN MARINAS****Table 1****Annual Cash Flow Projections  
(000's)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUE<sup>1</sup></b>										
<i>Berths</i>	7,429	7,652	7,881	8,118	8,361	8,612	8,870	9,136	9,410	9,643
<i>Concessions</i>	625	625	625	625	625	625	625	625	625	625
<i>Miscellaneous</i>	255	255	255	255	255	255	255	255	255	255
<b>TOTAL REVENUE</b>	<b>8,309</b>	<b>8,532</b>	<b>8,761</b>	<b>8,998</b>	<b>9,241</b>	<b>9,492</b>	<b>9,750</b>	<b>10,016</b>	<b>10,290</b>	<b>10,523</b>
<b>EXPENSES<sup>2</sup></b>										
<i>Operations/Administration</i>	1,403	1,417	1,432	1,446	1,460	1,475	1,490	1,505	1,520	1,535
<i>Maintenance</i>	1,273	1,273	1,173	1,153	1,153	1,153	1,153	1,153	973	973
<i>Land Security</i>	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032
<i>Water Security</i>	656	656	656	656	656	656	656	656	656	656
<i>Utilities</i>	474	474	474	474	474	474	474	474	474	474
<b>EXPENSES</b>	<b>4,838</b>	<b>4,852</b>	<b>4,767</b>	<b>4,761</b>	<b>4,775</b>	<b>4,790</b>	<b>4,805</b>	<b>4,820</b>	<b>4,655</b>	<b>4,670</b>
<b>RESERVES<sup>3</sup></b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>210</b>
<b>DEBT SERVICE<sup>4</sup></b>										
<i>Previous Debt (non-DBW)</i>	2,307	2,307	2,307	2,307	757	395	267	267	267	267
<i>Downtown/Shoreline Marina</i>	476	476	476	2,024	2,024	2,024	2,024	2,024	2,024	2,024
<b>TOTAL DEBT SERVICE</b>	<b>2,783</b>	<b>2,783</b>	<b>2,783</b>	<b>4,331</b>	<b>2,781</b>	<b>2,419</b>	<b>2,291</b>	<b>2,291</b>	<b>2,291</b>	<b>2,291</b>
<b>TOTAL EXPENSES</b>	<b>7,831</b>	<b>7,845</b>	<b>7,760</b>	<b>9,302</b>	<b>7,766</b>	<b>7,419</b>	<b>7,306</b>	<b>7,321</b>	<b>7,156</b>	<b>7,171</b>
<b>NET REVENUE</b>	<b>478</b>	<b>687</b>	<b>1,001</b>	<b>-304</b>	<b>1,475</b>	<b>2,073</b>	<b>2,444</b>	<b>2,695</b>	<b>3,134</b>	<b>3,352</b>

1) Occupancy rate assumed to be 95%. Boat slip rental fees are \$8.45 per foot/month for boat lengths up to 29'; \$9.00 per foot/month for boat lengths between 29' and 39'; \$9.25 per foot/month for boat lengths between 40' and 44'; \$9.85 per foot/month for boat lengths between 45' and 49'; and; \$10.05 per foot/month for boat lengths over 49'. Berthing rates will increase at 3% per year. Concessions and Miscellaneous will be flatline or increase slightly.

2) Operating expenses will increase by 1% per year. Land and Water Security are fixed by contract. Utilities will be flatline or will decrease as electrical use is metered.

3) Reserve set aside for extraordinary maintenance.

4) DBW loan for \$31,718,000 @ 4.5% for 30 years.

**REVENUES**

Revenues to repay the DBW loan will be generated from the operation of the marina. Annual gross income from the Downtown Marinas is estimated at \$8,998,000 in 2007 (see Table 1).

**EXPENSES**

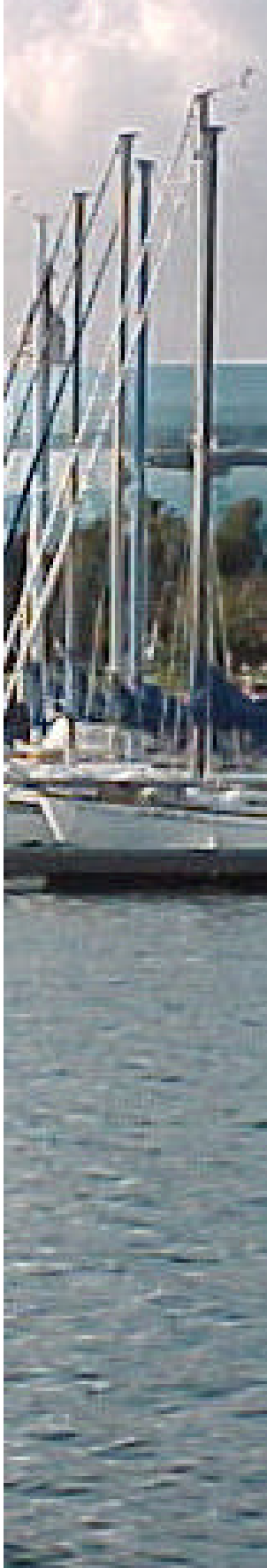
DBW estimates the annual debt service on the proposed \$31,718,000 loan to be \$2,024,000 per year commencing August 1, 2007 (all phases). Total annual expenses are estimated to be \$9,302,000. A breakdown of revenues and expenses for the Downtown Marinas is shown in Table 1.

**COLLATERAL**

The City of Long Beach has proposed a sufficient amount of its commercial leases to DBW for collateral.

**RESERVES**

To cover the DBW maintenance and dredging reserve requirements, the City of Long Beach will commit \$210,000 each year to a maintenance reserve



account. In addition, the City owns and operates a dredge used in an annual program to remove siltation, and allocates over \$175,000 per year to cover such dredging expenses (see Table 1, footnote 3).

### **FINANCIAL CONSIDERATIONS**

The completed project will be open to all on an equal and reasonable basis. The City of Long Beach currently charges monthly boat slip rental fees of \$8.45 per foot for boat lengths up to 29'; \$9.00 per foot for boat lengths between 29' and 39'; \$9.25 per foot for boat lengths between 40' and 44'; \$9.85 per foot for boat lengths between 45' and 49'; and; \$10.05 per foot for boat lengths over 49' at the Downtown Marinas.

### **CONCLUSION**

This project is being recommended because the marinas are approximately 20 to 30 years old and in need of refurbishment. The marinas will be reconfigured with berth sizes and features more reflective of current market demand.

## **RECOMMENDATION**

In view of the foregoing demonstration of the project's engineering and financial feasibility, staff recommends that the Boating and Waterways Commission consent to fifth and final phase loan funding (totaling \$8,125,000) of the proposed \$31,718,000 loan to the City of Long Beach for improvements to the Downtown Marinas.



# LONG BEACH DOWNTOWN MARINAS



Project Site Boundary — — —